

Property Tax Payments, 2002-2003

- Putnam County -

Indiana Legislative Services Agency

June 2005

The Indiana Supreme Court found Indiana's true tax value assessment rules to be unconstitutional in December 1998. Major changes in property tax payments in each county from 2002 to 2003 were caused by several factors, including:

- The move from the old true tax value assessment rules to the new market-oriented rules during the 2002-2003 property tax reassessment.
- Tax levy increases by local taxing units, which are influenced by spending and the availability of other revenue sources.
- The tax restructuring provisions enacted by the General Assembly in 2002 to help mitigate some of the effects of the assessment changes.

State Tax Credits Increased in Putnam County from \$4.7 Million in 2002 to \$8.8 Million in 2003.

The General Assembly's restructuring provisions increased state tax credits statewide in 2003 from \$1.12 billion to \$1.87 billion, an increase of approximately \$748 million. In Putnam County, state tax credits

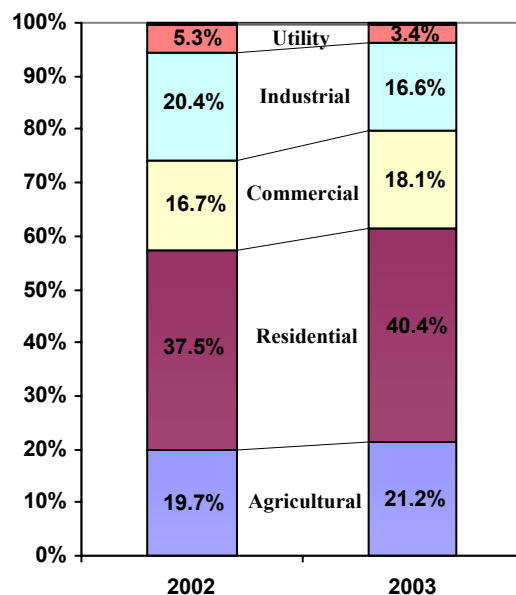
Table 1. Changes in AV and Tax Bills by Property Class for Putnam County, 2002-2003.

Property Class	Change In		
	Total Gross AV	Net AV	Net Tax Bill
Agricultural	92.8%	81.0%	3.0%
Residential (All)	99.4%	68.9%	2.8%
Homestead Only	102.8%	58.9%	-2.2%
Commercial	56.5%	52.5%	3.4%
Industrial	43.1%	4.2%	-21.9%
Utility	-5.5%	-8.1%	-39.6%
Avg. All Classes	76.5%	52.6%	-4.4%

increased from \$4.7 million to \$8.8 million, an increase of \$4.1 million. This paper provides a brief summary of how these factors changed property tax liabilities in Putnam County.

Tax Shifts. Putnam County saw a property tax shift from industrial and utility property owners to residential, agricultural, and commercial property owners. Tax bills paid by residential, agricultural, and commercial property owners increased, while tax bills paid by industrial and utility property owners decreased (see Table 1). [Restructuring also incorporated an increase in the Utility Receipts Tax to compensate for reduced property tax payments by utilities.] The reason for these shifts between classes of property was that the total of real plus personal property net assessed values (AV) of residential, agricultural, and commercial property increased more than the assessed values of utility and industrial property. Net assessed values of agricultural, residential, and commercial property all rose by more than half. Industrial net assessments rose by a small amount, and utility net assessments actually fell. These

Figure 1. Share of Net Property Tax Billings in Putnam County.



* May not total 100% due to taxes paid by exempt/undefined parcels.

figures include the effects of new construction, demolition, and remodeling of property, as well as the effects of reassessment, tax restructuring, and levy increases.

Homeowners and Renters. The residential property type includes both homestead and non-homestead residential property. Owners of residential and agricultural homesteads in Putnam County saw their tax bills decrease, while the average residential property increased. A property is eligible for the homestead deduction and credit if it is occupied by its owner and is the owner's primary residence. The increase in the homestead deduction from \$6,000 to \$35,000 is the reason that residential net assessed value rose so much less than gross assessed value.

Tax bills on non-homestead residential property, which is primarily rental property, increased while taxes on homestead property decreased. Taxes rose because rental assessments increased as much as homestead assessments, but rental property was not eligible for the homestead deduction or homestead credit.

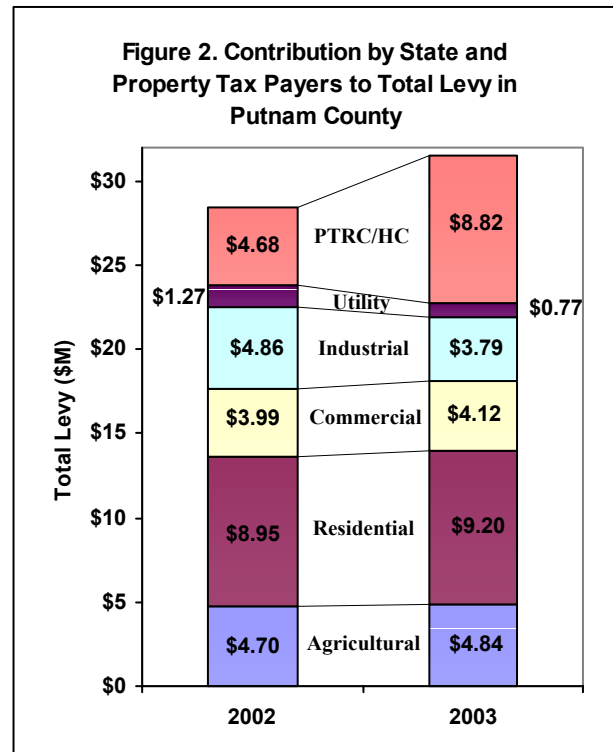
Table 2 shows tax changes for comparable properties, those with physical features that were unchanged from 2002 to 2003. In Putnam County, about half of residential property owners (including both homeowners and rental property owners) saw tax bill increases in 2003, and half saw decreases. Separately, more homestead owners saw decreases rather than increases.

Table 2. Distribution of Net Tax Changes on Comparable Residential Property in Putnam County.				
	Residential - Actual -	Homestead - Actual -	Residential - NO Levy Change -	Homestead - NO Levy Change -
Increased	49.9%	42.6%	43.3%	31.7%
Decreased	50.1%	57.4%	56.7%	68.3%
Increased 100% or More	13.1%	2.7%	11.4%	2.2%
Decreased 25% or More	30.4%	24.5%	33.3%	29.3%
Average Change (\$)	-\$11	-\$51	-\$44	-\$106
Average Change (%)	-2.1%	-6.0%	-8.5%	-12.4%
* Percentages represent the percentage of parcels affected.				

Not all of the tax bill change was due to reassessment and tax restructuring. Some was due to increases in the tax levies of local units of government. Table 2 shows estimates of what would have happened had tax levies remained unchanged. The estimates are made by recalculating tax rates for 2003 using tax levies from 2002.

With no levy changes, about 43% of all residential property owners would have seen tax increases, and 57% would have seen tax decreases. For homesteads, about one-third would have seen increases and two-thirds would have seen decreases. Apart from levy increases, reassessment and restructuring reduced the taxes of many more homeowners than they increased.

Agriculture. Taxes on agricultural property in Putnam County rose slightly. Overall, agricultural business taxes rose while agricultural homestead taxes fell. The net assessed value on non-homestead agricultural real property nearly doubled. This reflects the 112% increase in the base rate of farm land, from \$495 to \$1,050 per acre. Agricultural net personal property assessments increased by a smaller amount in comparison.



Business. Taxes on industrial and utility property fell in Putnam County because assessed values rose much less than residential and agricultural assessments. Business real property was assessed closer to the market value standard under the old assessment rules than was residential property. Consequently, the shift to market value assessment increased industrial and utility assessments less. The general rise in assessed values in Putnam County reduced tax rates, and this cut tax bills for owners of property with smaller assessment increases, like industrial and utility property.

Tax Restructuring. The tax restructuring of 2002 made significant changes to property tax assessments, deductions, credits, and hence to overall tax payments. Restructuring reversed personal property rule changes which the Department of Local Government Finance had put in place. It replaced one tax break for homeowners, known as the shelter allowance, with a larger (in most cases) homestead deduction. Restructuring also increased property tax replacement credits (PTRC) from the existing 20% credit. PTRC on school general fund levies is now 60% for all property. A 20% PTRC is paid to real property owners on civil levies plus the remaining school general fund levies (after the 60% credit). Restructuring also raised the homestead credit to 20% of net qualifying levies, instead of allowing it to revert to 4% of gross qualifying levies in 2003. Figure 2 shows the net levies paid by each property classification along with the PTRC and state homestead credit contributions. The contribution to local levies in Putnam County by PTRC and state homestead credit payments increased by approximately 89%, from \$4.7 million to \$8.8 million.

Table 3 shows estimates of how Putnam County tax bills would have changed for each property type had tax restructuring not been adopted. Tax increases for residential and agricultural property owners would have been particularly large. The increases in the homestead deduction and PTRC in the tax restructuring reduced the size of these tax increases. Putnam County residential property taxes still increased. However, residential homestead property taxes decreased because the reassessment business-to-residential tax shift, plus the increase in the tax levy, was more than offset by the rise in the homestead deduction and higher state PTRC payments. The larger PTRC payments are also responsible for reducing the taxes paid by commercial property and increasing the tax cuts received by industrial property. The percentage changes in the “With Restructuring” column of Table 3 correspond to the changes in the net levies in Figure 2.

Table 3. Effect of Tax Restructuring on Tax Bills by Property Type in Putnam County, 2002-2003.			
Property Type	No Restructuring (Estimated)	With Restructuring (Actual)	Difference
Agricultural	18.8%	3.0%	-15.8%
Residential (All)	40.1%	2.8%	-37.3%
Homestead Only	53.2%	-2.2%	-55.3%
Commercial	9.1%	3.4%	-5.7%
Industrial	-19.7%	-21.9%	-2.2%
Utility	-44.9%	-39.6%	5.4%

List of Attached Summary Tables. Four summary tables are attached to provide additional information regarding assessed values and taxes by property class.

Summary Table 1: Comparison of 2002 and 2003 Net Property Tax Billings by Property Classification. This table summarizes net tax billings for real and personal property by property class. Additional information is provided for subclasses such as homesteads, agricultural homesteads, agricultural land, and rental properties.

Summary Table 2: Comparison of 2002 and 2003 Net Assessed Value by Property Classification. This table summarizes net assessed values for the same property classes described in Summary Table 1.

Summary Table 3: Changes in Assessed Values, Deductions, Credits, and Net Levies. This table summarizes the county-wide changes in tax bill components from 2002 to 2003 for real and personal property by property class.

Summary Table 4: Residential Property Summary. This table summarizes the assessed value and net tax changes from 2002 to 2003 for residential property. The table includes a distribution of net tax changes for comparable residential properties and for the homestead component of residential property. The table also depicts the distribution of changes as if there were no levy increase in 2003.

Putnam County
Changes in Assessed Values, Deductions, Credits and Net Levies
Pay 2002 - Pay 2003

	Total	Agriculture	Residential	Res-Hmstd	Commercial	Industrial	Utility
Pay 2002							
Real Gross Assessed Value	837,060,955	208,166,349	457,858,409	334,852,491	85,362,584	82,835,379	1,616,134
Real Deductions	82,523,620	11,812,265	59,989,721	59,989,721	2,847,666	7,475,868	355,872
Real Net Assessed Value	754,537,335	196,354,084	397,868,688	274,862,770	82,514,918	75,359,511	1,260,262
Personal Gross Assd. Value	258,698,004	13,733,244	4,113,900	0	69,434,795	120,009,134	51,406,930
Personal Deductions	3,439,700	0	0	0	444,500	2,995,200	0
Personal Net Assd. Value	255,258,304	13,733,244	4,113,900	0	68,990,295	117,013,934	51,406,930
Total Gross Assessed Value	1,095,758,959	221,899,593	461,972,309	334,852,491	154,797,380	202,844,513	53,023,064
Total Deductions	85,963,320	11,812,265	59,989,721	59,989,721	3,292,166	10,471,068	355,872
Total Net Assessed Value	1,009,795,639	210,087,328	401,982,588	274,862,770	151,505,214	192,373,445	52,667,192
Gross Levy	28,449,419	5,547,675	11,133,301	7,595,996	4,631,348	5,643,606	1,460,716
PTRC (Calculated)	3,790,653	700,205	1,469,541	1,001,215	643,497	784,167	188,915
State/County Homestead Cr. (Calculated)	859,750	146,671	713,079	713,079	0	0	0
Net Levy	23,799,016	4,700,800	8,950,681	5,881,702	3,987,851	4,859,439	1,271,801
Pay 2003							
Real Gross Assessed Value	1,594,339,570	410,888,590	916,928,280	679,216,832	156,350,721	104,361,891	3,841,514
Real Deductions	306,271,695	47,639,689	242,558,076	242,558,076	2,622,943	11,650,369	1,710,805
Real Net Assessed Value	1,288,067,875	363,248,901	674,370,204	436,658,756	153,727,778	92,711,522	2,130,709
Personal Gross Assd. Value	339,388,470	16,926,659	4,393,640	0	85,858,819	185,963,872	46,245,480
Personal Deductions	86,812,570	0	0	0	8,614,744	78,197,826	0
Personal Net Assd. Value	252,575,900	16,926,659	4,393,640	0	77,244,075	107,766,046	46,245,480
Total Gross Assessed Value	1,933,728,040	427,815,249	921,321,920	679,216,832	242,209,540	290,325,763	50,086,994
Total Deductions	393,084,265	47,639,689	242,558,076	242,558,076	11,237,687	89,848,195	1,710,805
Total Net Assessed Value	1,540,643,775	380,175,560	678,763,844	436,658,756	230,971,853	200,477,568	48,376,189
Gross Levy	31,728,506	6,858,555	13,586,083	8,799,185	5,401,211	4,897,730	945,207
PTRC (Calculated)	8,260,543	1,903,646	3,787,532	2,446,390	1,277,604	1,104,192	176,537
State/County Homestead Cr. (Calculated)	712,344	113,833	598,510	598,510	0	0	0
Net Levy	22,755,619	4,841,076	9,200,040	5,754,285	4,123,607	3,793,537	768,670
COMPARISONS							
Net Levy Percent Change	-4.4%	3.0%	2.8%	-2.2%	3.4%	-21.9%	-39.6%
Contributions to Tax Bill Changes, 2002-2003							
Percent Changes	Total	Agriculture	Residential	Res-Hmstd	Commercial	Industrial	Utility
Gross Real AV	90.5%	97.4%	100.3%	102.8%	83.2%	26.0%	137.7%
Gross Personal AV	31.2%	23.3%	6.8%	0.0%	23.7%	55.0%	-10.0%
Total Gross Assessed Value	76.5%	92.8%	99.4%	102.8%	56.5%	43.1%	-5.5%
Net Assessed Value	52.6%	81.0%	68.9%	58.9%	52.5%	4.2%	-8.1%
Gross Levy	11.5%	23.6%	22.0%	15.8%	16.6%	-13.2%	-35.3%
Net Levy	-4.4%	3.0%	2.8%	-2.2%	3.4%	-21.9%	-39.6%
Actual State Credits, 2002 and 2003							
	2002	2003	Change	Change%			
PTRC (Abstract)	3,798,133	8,099,901	4,301,768	113.3%			
State Homestead Cr. (Abstract)	877,003	715,575	-161,428	-18.4%			
Total State Credits (Abstract)	4,675,136	8,815,476	4,140,340	88.6%			

Comparison of 2002 and 2003 Net Property Tax Billings*
(Scaled to Abstract Values)
By Property Classification**
Putnam County

Property Classification	2002 Net Tax	2003 Net Tax	Difference***	Change***	2002 % of Total Real + Pers	2003 % of Total Real + Pers	Change
<u>Real + Personal</u>							
Agricultural	4,700,800	4,841,076	140,276	3.0%	19.7%	21.2%	1.5%
Residential	8,950,681	9,200,040	249,359	2.8%	37.5%	40.4%	2.8%
Commercial	3,987,851	4,123,607	135,756	3.4%	16.7%	18.1%	1.4%
Industrial	4,859,439	3,793,537	-1,065,902	-21.9%	20.4%	16.6%	-3.7%
Utility	1,271,801	768,670	-503,131	-39.6%	5.3%	3.4%	-2.0%
Exempt	53,610	34,523	-19,087	-35.6%	0.2%	0.2%	-0.1%
Undefined	28,444	28,688	244	0.9%	0.1%	0.1%	0.0%
Total	23,852,626	22,790,141	-1,062,485	-4.5%	100.0%	100.0%	0.0%
<u>Real Property Only</u>							
Agricultural	4,386,556	4,596,997	210,441	4.8%	18.4%	20.2%	1.8%
Residential	8,852,330	9,135,765	283,435	3.2%	37.1%	40.1%	3.0%
Commercial	2,188,755	2,641,065	452,310	20.7%	9.2%	11.6%	2.4%
Industrial	1,992,558	1,689,028	-303,530	-15.2%	8.4%	7.4%	-0.9%
Utility	32,178	33,199	1,021	3.2%	0.1%	0.1%	0.0%
Exempt	53,610	34,523	-19,087	-35.6%	0.2%	0.2%	-0.1%
Undefined	28,444	28,688	244	0.9%	0.1%	0.1%	0.0%
Total	17,534,431	18,159,265	624,834	3.6%	73.5%	79.7%	6.2%
Agricultural Homesteads	1,770,851	1,747,212	-23,639	-1.3%	7.4%	7.7%	0.2%
Residential Homesteads	5,881,702	5,754,285	-127,417	-2.2%	24.7%	25.2%	0.6%
Total Homesteads	7,652,553	7,501,497	-151,056	-2.0%	32.1%	32.9%	0.8%
Non-Homestead Residential	2,970,628	3,381,481	410,853	13.8%	12.5%	14.8%	2.4%
Apartments (Over 4 Units)	334,249	405,711	71,462	21.4%	1.4%	1.8%	0.4%
<u>Personal Property Only</u>							
Agricultural	314,244	244,079	-70,165	-22.3%	1.3%	1.1%	-0.2%
Residential	98,351	64,275	-34,076	-34.6%	0.4%	0.3%	-0.1%
Commercial	1,799,096	1,482,541	-316,555	-17.6%	7.5%	6.5%	-1.0%
Industrial	2,866,881	2,104,509	-762,372	-26.6%	12.0%	9.2%	-2.8%
Utility	1,239,623	735,471	-504,152	-40.7%	5.2%	3.2%	-2.0%
Total	6,318,195	4,630,875	-1,687,320	-26.7%	26.5%	20.3%	-6.2%
Total Depreciables	4,702,232	3,052,941	-1,649,291	-35.1%	19.7%	13.4%	-6.3%
Total Inventory	1,517,612	1,513,660	-3,952	-0.3%	6.4%	6.6%	0.3%
<u>Agricultural Only</u>							
Ag Non-Hmstd Real	2,615,704	2,849,785	234,081	8.9%	11.0%	12.5%	1.5%
Ag Personal	314,244	244,079	-70,165	-22.3%	1.3%	1.1%	-0.2%
Total Ag Business	2,929,948	3,093,864	163,916	5.6%	12.3%	13.6%	1.3%
Ag Homesteads	1,770,851	1,747,212	-23,639	-1.3%	7.4%	7.7%	0.2%

* "Tax billings" for real property refers to the net taxes charged per the parcel level data received from county auditors and assessors, scaled to values reported on the county auditor's abstract.

* "Tax billings" for personal property refers to the net taxes charged on the personal property assessed value reported on the county auditor's abstract.

** Property class was determined using a combination of county auditor parcel-level real property tax data, county assessor parcel-level real property assessment data, county auditor abstracts, Form 15 personal property assessment data, business and farmer's personal property tax returns over \$150,000 AV, and state distributable utility tax returns.

*** Net tax changes from 2002 to 2003 include effects of changes in assessment methods, local levies, real property physical characteristics, property use, personal property held or acquired, deductions, and credits.

Comparison of 2002 and 2003 Net Assessed Value*
(Scaled to Abstract Values)
By Property Classification**
Putnam County

Property Classification	2002 Net AV	2003 Net AV	Difference***	Change***	2002 % of Total Real + Pers	2003 % of Total Real + Pers	Change
<u>Real + Personal</u>							
Agricultural	210,087,328	380,175,560	170,088,232	81.0%	20.8%	24.6%	3.9%
Residential	401,982,588	678,763,844	276,781,256	68.9%	39.7%	44.0%	4.3%
Commercial	151,505,214	230,971,853	79,466,639	52.5%	15.0%	15.0%	0.0%
Industrial	192,373,445	200,477,568	8,104,123	4.2%	19.0%	13.0%	-6.0%
Utility	52,667,192	48,376,189	-4,291,003	-8.1%	5.2%	3.1%	-2.1%
Exempt	2,005,110	2,102,250	97,140	4.8%	0.2%	0.1%	-0.1%
Undefined	1,179,872	1,878,761	698,889	59.2%	0.1%	0.1%	0.0%
Total	1,011,800,749	1,542,746,025	530,945,276	52.5%	100.0%	100.0%	0.0%
<u>Real Property Only</u>							
Agricultural	196,354,084	363,248,901	166,894,817	85.0%	19.4%	23.5%	4.1%
Residential	397,868,688	674,370,204	276,501,516	69.5%	39.3%	43.7%	4.4%
Commercial	82,514,918	153,727,778	71,212,860	86.3%	8.2%	10.0%	1.8%
Industrial	75,359,511	92,711,522	17,352,011	23.0%	7.4%	6.0%	-1.4%
Utility	1,260,262	2,130,709	870,447	69.1%	0.1%	0.1%	0.0%
Exempt	2,005,110	2,102,250	97,140	4.8%	0.2%	0.1%	-0.1%
Undefined	1,179,872	1,878,761	698,889	59.2%	0.1%	0.1%	0.0%
Total	756,542,445	1,290,170,125	533,627,680	70.5%	74.8%	83.6%	8.9%
Agricultural Homesteads	82,473,379	140,803,283	58,329,904	70.7%	8.2%	9.1%	1.0%
Residential Homesteads	274,862,770	436,658,756	161,795,986	58.9%	27.2%	28.3%	1.1%
Total Homesteads	357,336,149	577,462,039	220,125,890	61.6%	35.3%	37.4%	2.1%
Non-Homestead Residential	123,005,918	237,711,448	114,705,530	93.3%	12.2%	15.4%	3.3%
Apartments (Over 4 Units)	12,366,415	22,419,269	10,052,854	81.3%	1.2%	1.5%	0.2%
<u>Personal Property Only</u>							
Agricultural	13,733,244	16,926,659	3,193,415	23.3%	1.4%	1.1%	-0.3%
Residential	4,113,900	4,393,640	279,740	6.8%	0.4%	0.3%	-0.1%
Commercial	68,990,295	77,244,075	8,253,780	12.0%	6.8%	5.0%	-1.8%
Industrial	117,013,934	107,766,046	-9,247,888	-7.9%	11.6%	7.0%	-4.6%
Utility	51,406,930	46,245,480	-5,161,450	-10.0%	5.1%	3.0%	-2.1%
Total	255,258,303	252,575,900	-2,682,403	-1.1%	25.2%	16.4%	-8.9%
Total Depreciables	191,641,648	168,218,110	-23,423,538	-12.2%	18.9%	10.9%	-8.0%
Total Inventory	59,502,755	79,964,150	20,461,395	34.4%	5.9%	5.2%	-0.7%
<u>Agricultural Only</u>							
Ag Non-Hmstd Real	113,880,706	222,445,618	108,564,912	95.3%	11.3%	14.4%	3.2%
Ag Personal	13,733,244	16,926,659	3,193,415	23.3%	1.4%	1.1%	-0.3%
Total Ag Business	127,613,950	239,372,277	111,758,327	87.6%	12.6%	15.5%	2.9%
Ag Homesteads	82,473,379	140,803,283	58,329,904	70.7%	8.2%	9.1%	1.0%

* "Net Assessed Value" for real property refers to the gross AV less deductions per the parcel level data received from county auditors and assessors, scaled to values reported on the county auditor's abstract.

* "Net Assessed Value" for personal property refers to the gross personal property assessed value reported on the county auditor's abstract less the deductions reported on the abstract.

** Property class was determined using a combination of county auditor parcel-level real property tax data, county assessor parcel-level real property assessment data, county auditor abstracts, Form 15 personal property assessment data, business and farmer's personal property tax returns over \$150,000 AV, and state distributable utility tax returns.

*** Net AV changes from 2002 to 2003 include effects of changes in assessment methods, real property physical characteristics, property use, personal property held or acquired, and deductions.

**Putnam County
Residential Property Summary
2003 Reassessment**

Property Type	Change in Gross AV 2001 to 2003	Change in Net AV 2001 to 2003	Change in Net Tax 2002 to 2003	Change in Net Tax With NO Cert. Levy Chg. 2002 to 2003
All Real Residential Properties	107%	75%	7%	0%
Comparable Residential Real Prop.	103%	61%	-2%	-9%
Comparable Homesteads	99%	54%	-6%	-12%

Distribution of Net Tax Changes on Comparable Residential Property

% Change		2002 to 2003 Actual Bills All Residential Property		2002 to 2003 Actual Bills Homesteads Only		2002 to 2003 Recomputed Bills With NO Certified Levy Change All Residential Property		2002 to 2003 Recomputed Bills With NO Certified Levy Change Homesteads	
Over	300%	463	3.7%	46	0.7%	438	3.5%	39	0.6%
200%	to 300%	253	2.0%	28	0.4%	203	1.6%	22	0.3%
100%	to 200%	927	7.4%	110	1.6%	784	6.3%	91	1.3%
50%	to 100%	806	6.4%	308	4.5%	834	6.7%	200	2.9%
25%	to 50%	898	7.2%	669	9.7%	567	4.5%	410	5.9%
10%	to 25%	1,048	8.4%	893	12.9%	879	7.0%	664	9.6%
5%	to 10%	430	3.4%	362	5.2%	372	3.0%	321	4.6%
0	to 5%	1,416	11.3%	528	7.6%	1,343	10.7%	443	6.4%
0	to -5%	483	3.9%	445	6.4%	506	4.0%	470	6.8%
-5%	to -10%	521	4.2%	475	6.9%	622	5.0%	559	8.1%
-10%	to -25%	1,453	11.6%	1,356	19.6%	1,786	14.3%	1,673	24.2%
-25%	to -50%	2,391	19.1%	1,153	16.7%	2,581	20.6%	1,409	20.4%
Below	-50%	1,418	11.3%	540	7.8%	1,592	12.7%	612	8.9%
		12,507	100.0%	6,913	100.0%	12,507	100.0%	6,913	100.0%
Parcels With Increases		6,241	49.9%	2,944	42.6%	5,420	43.3%	2,190	31.7%
Parcels With Reductions		6,266	50.1%	3,969	57.4%	7,087	56.7%	4,723	68.3%
Average \$ Change			-\$11		-\$51		-\$44		-\$106
Average % Change			-2.1%		-6.0%		-8.5%		-12.4%

"Comparable Properties" = Properties with a record in both years that have improvements in both years OR no improvements in both years.

Data Source: 2001 and 2003 County Parcel Tax Data - County Auditor and County Assessor

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